45Q CCUS Tax Credit Amendments Act of 2020

Based on the input of our diverse coalition of stakeholders, responding to the regulatory guidance proposal released by the IRS earlier this year, as well as the new economic reality of the COVID-19 pandemic, the ***45Q CCUS Amendments Act*** makes three targeted statutory changes to maximize the utility of the credit enacted as part of the *Bipartisan Budget Act of 2018.* These narrow, discrete improvements will ensure that the credit is utilized to its full potential to create manufacturing, construction, and engineering jobs; preserve coal and natural gas jobs in West Virginia; and prevent carbon dioxide emissions while even facilitating the reduction of carbon dioxide that is already in the atmosphere.

1) **Extends the tax credit's "start construction date" by five years.** This makes up for the more than two years of credit eligibility lost due to the delays in IRS finalizing the regulator guidance and aligns the 45Q credit with the expiries of other energy credits.

2) **Allows the 45Q credit to offset tax obligations due to the Base Erosion Avoidance Tax (BEAT).** BEAT is a form of alternative minimum tax for companies that was implemented as part of *Tax Cut and Jobs Act* to ensure that multinational corporations cannot use deductions abroad to reduce their tax liabilities in the United States below a certain threshold. Exceptions were made for some credits and deductions, including wind and solar energy production. This change would bring parity to 45Q under BEAT, aligning with those other energy credits. Carbon capture projects are major capital investments using the most cutting edge technology, and often the companies with the greatest expertise have international reach. This policy change ensures that American companies and foreign multinationals with a significant presence and employment base in our country are able to benefit from the credit as an incentive for an investment in CCUS projects located in the United States.

3) **Most significantly, the legislation allows for the direct payment of the credit.** This is essential to ensure the maximum effect of the credit in the wake of the recent economic downturn resulting from COVID-19. Many companies have seen their revenues sharply reduced or suffered losses due to the current recession. This reduces or eliminates their tax liabilities, diminishing the attractiveness of a tax credit. Converting these credits to direct payments will maintain their incentive purpose, even in changing economic circumstances. Similar treatment was extended to the wind and solar renewable production tax credits during the Great Recession and in the intervening 10 years the wind and solar industry has grown significantly, proving the viability of this policy. Now that those industries are incumbents and vying for being the single largest source of electric generation capacity in the country, CCUS is the up-and-coming technology with the greatest economic and job creation potential in the energy space. Direct pay will be the single strongest policy modification that can be made to the 45Q credit to ensure these projects move ahead despite the economic headwinds we are currently experiencing, at a time when we need good paying construction, engineering, utility, and energy production jobs the most. The legislation clarifies that municipal power providers and electric cooperatives are eligible for direct payments of the credits for CCUS projects.